

**We've been going back and forth for a century**

[Keynes] **I want to steer markets,**

[Hayek] **I want them set free**

**There's a boom and bust cycle and good reason to fear it**

[Hayek] **Blame low interest rates.**

[Keynes] **No... it's the animal spirits**

[Keynes Sings:]

**John Maynard Keynes**, wrote **the book** on modern macro

The man you need when the economy's off track, [whoa]

**Depression, recession** now your

question's in session

Have a seat and I'll school you in one simple lesson

**BOOM, 1929 the big crash**

We didn't bounce back—economy's in the trash

Persistent unemployment, the result of **sticky wages**

Waiting for recovery? Seriously? That's outrageous!

I had a real plan any fool can understand

The advice, real simple—**boost**

**aggregate demand!**

**C, I, G, all together gets to Y**

Make sure the total's growing, watch the economy fly

**(first chorus)**

You see it's all about spending, hear the register cha-ching

**Circular flow**, the dough is everything

So if that flow is getting low, doesn't matter the reason

We need more **government spending**,

now it's stimulus season

So forget about saving, get it straight out of your head

Like I said, in the long run—we're all dead

Savings is destruction, that's the **paradox of thrift**

Don't keep money in your pocket, or that growth will never lift because...

Business is driven by the animal spirits

**The bull and the bear**, and there's reason to fear its

Effects on **capital investment**, income and growth

That's why the **state should fill the gap** with stimulus both...

**The monetary and the fiscal**, they're equally correct

Public works, digging ditches, war has the same effect

Even a broken window helps the glass man have some wealth

**The multiplier** driving higher the economy's health

And if the **Central Bank's** interest rate policy tanks

A **liquidity trap**, that new money's stuck in the banks!

**Deficits** could be the cure, you been looking for

Let the spending soar, now that you know the score

**My General Theory's** made quite an impression

[a revolution] I transformed the econ profession

You know me, modesty, still I'm taking a bow

Say it loud, say it proud, **we're all**

**Keynesians** now

**We've been goin' back n forth for a century**

[Keynes] **I want to steer markets,**

[Hayek] **I want them set free**

**There's a boom and bust cycle and good reason to fear it**

[Keynes] **I made my case, Freddie H**

**Listen up , Can you hear it?**

Hayek sings:

*I'll begin in broad strokes, just like my friend Keynes*

*His theory conceals the mechanics of change,*

*That simple equation, too much*

*aggregation*

**Ignores human action and motivation**

*And yet it continues as a justification*

*For **bailouts and payoffs** by pols with machinations*

*You provide them with cover to sell us a free lunch*

*Then all that we're left with is **debt**, and a bunch*

*If you're living high on that cheap credit hog*

*Don't look for cure from the hair of the dog*

**Real savings** come first if you want to invest

**The market coordinates time with interest**

*Your focus on spending is pushing on thread*

*In the long run, my friend, it's your theory that's dead*

*So sorry there, buddy, if that sounds like invective*

*Prepare to get schooled in my Austrian perspective*

**(first chorus)**

*The place you should study isn't the bust*  
*It's the boom that should make you feel*

*leery, that's the thrust*

*Of my theory, the **capital structure** is key.*

**Malinvestments** wreck the economy

*The boom gets started with an **expansion of credit***

*The Fed sets rates low, are you starting to get it?*

*That new money is confused for **real loanable funds***

*But it's just **inflation** that's driving the ones*

*Who invest in new projects like housing construction*

*The boom plants the seeds for its future destruction*

*The savings aren't real, consumption's up too*

**And the grasping for resources reveals there's too few**

*So the boom turns to bust as the interest rates rise*

*With the **costs of production**, price signals were lies*

*The boom was a binge that's a matter of fact*

*Now its **devalued capital** that makes up the slack.*

*Whether it's the late twenties or two thousand and five*

*Booming bad investments, seems like they'd thrive*

*You must save to invest, don't use the printing press*

*Or a bust will surely follow, an economy depressed*

*Your so-called "stimulus" will make things even worse*

*It's just more of the same, more **incentives perverted***

*And that **credit crunch** ain't a liquidity trap*

*Just a broke banking system, I'm done, that's a wrap.*